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Inside

Avoiding Business Owner Burnout Syndrome

By Grover Rutter CPA/ABV, CVA, BVAL

Succession planning by CPA firms and their clients has been widely discussed and recommended. Demographics suggest the need for many business owners to prepare for their expected exit. In the following article, a CPA valuation analyst and business broker cites one of the reasons why many owners sometimes exit prematurely. This particular factor has become known as "business owner burnout." He offers guidance for all business owners, regardless of their demographic status, on how to avoid this burnout while, at the same time, being ready to exit their businesses profitably. He urges them to be prepared at all times by knowing the value of their business and knowing how to enhance and sustain that value.

Business owner burnout (BOB) is the most common reason for business owners to consider leaving or selling their businesses. A recent study by the International Business Brokers Association (IBBA) indicates that about 54 percent of businesses are sold because the owners are "burnt out." Unfortunately when burnout has finally taken its toll, most owners do not have their businesses ready to sell. And business owners (including CPAs) who succumb to BOB usually take a significant financial loss.

Changing perspective

How can you begin to protect yourself from the ravages of BOB syndrome? You might be surprised at the answer. It is simply by role playing. Don't look at your business as its owner. Rather, look at it as its *potential* owner. Assuming the role of prospective owner helps you to look at your business in a completely different light.

We may find the secret to avoiding BOB when we ask ourselves important questions about our own businesses long before we reach the burnout stage. The important questions include the following:

- Is this business fiscally fit?
- Could I get more profit out of this business?
- Would I be happy with what the business is earning?
- Can I do anything to improve the performance of the business?
- Would I be satisfied with my position in the business?
- Would anyone else be willing to buy the business?
- If I needed to sell this business immediately after I bought it, would I get what I want (or need) from its sale?

Asking tough questions about your own business is always hard. That's because often we are afraid of the answers! So, what is the most important question you should ask yourself? Here it is: "Do I know *how* I am going to exit *my* business when the time comes?"

Why does this question demand an answer? Because nobody knows exactly when the time might come for exiting a business. In a perfect

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world, you might get to choose the time of your exit. But in the real world, a large percentage of business owners experience a life-changing event that will cause them to attempt to sell their business at a time *not* of their own choosing. In my business (business brokerage), I see this happen all too often.

Choosing an exit

Have you thought about how you will exit your business? Here are a few of your exit choices:

1. Die at the business, and be carried out feet first (or wheeled out in a wheelbarrow).
2. Close the doors and walk away with nothing.
3. Begin gifting interests in the business to family or management.
4. Recapitalize by bringing in new capital, partners, or personnel.
5. Sell the business to the employees.
6. Sell the business outright to outside buyers.

Hopefully, you won't choose numbers 1 and 2.

So the question remains: Do you have a *plan* to exit your business successfully? If not, then you should. In fact, *your* business might be one of the most valuable assets you own. Do you know the value of your business? Have you documented the value of your business? If you were to sell today, would you get what you want—or need—in order to carry on with your life?

My experience as a valuation analyst and business broker has shown me that most businesses are not prepared for sale. What does that mean to those businesses? It means that the business is not as valuable as it should be.

Being prepared

How can you make your business more salable? The role playing I mentioned earlier is a simple method: In addition to pretending that you do *not* own your business but are a potential buyer for the business, perform your own due diligence on the business. What situations will you find that would cause you to "devalue" an offer you might make on the business?

Whatever your answers, you can be sure that in a situation where someone else was doing the due diligence, they would find the same things you found! So, do your own due diligence and fix the problems before someone else finds them. Most business owners will find that by fixing the problem areas, they are actually increasing productivity and profitability. And increased profitability will increase value in a quantifiable manner. Also, knowing that you have addressed and fixed certain business problems tends to relieve stress—thus reducing the risk of BOB.

After I sold my CPA and tax practice (almost seven years ago), I began helping other business owners sell their businesses. Do you know what I discovered? I discovered a plethora of areas where business owners badly needed objective, practical advice and assistance. This led me to write two practical handbooks, *"Your Business IS Your Goldmine!"* and *"How to Sell Your Business for the MOST Money!"* In each book I tell business owners what I, and many CPAs, usually don't tell them in the course of our normal engagements.

Adding a valuable client service

BOB prevention techniques allow CPA practitioners to offer another service of value to their clients. BOB prevention goes well beyond the number crunching, financial reporting, and tax planning services provided by most CPAs. In BOB prevention, the CPA can offer an objective "check-up" of a client's business. The CPA is providing the due diligence on the business (because many business owners will never get around to spending the time to perform this important task). And the CPA can provide assistance in monitoring the progress of corrective and prophylactic measures that are recommended.

In summary, role playing (pretending you are interested in buying your own business), and performing due diligence on your own practice or business is an efficient way to reduce the risks of business owner burnout.

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Anecdotal Selling

The following article is based on excerpts from Ford Harding's book, Creating Rainmakers, *recently reissued by Wiley. In the article, Harding discusses why professionals use anecdotes and what makes a good anecdote.*

By Ford Harding

The degree to which stories are used to make points is one of the distinguishing characteristics of selling professional services. Since professional services cannot be seen, touched, or tested prior to purchase, we must help the client visualize the benefits he or she will receive for our services. Anecdotes are the best way to do so. They can be used to overcome many common challenges while selling services, several of which I describe here.

Create tangible value

The following story, told by a consultant who helped to relocate data centers, makes tangible the value of experience to a prospective client considering doing the work in-house:

> "What we bring is experience in data center consolidation. Most people get involved in these issues only once every 10 years or so, but we do every day.
>
> For example, we recently completed a consolidation analysis for a large insurance company, which had plans to consolidate the small data center run by its noninsurance subsidiary into its main center. The analysis showed a three-year payback.
>
> The head of the subsidiary brought us in to evaluate the consolidation because the center was so critical to his operations. We went through a step-by-step review of what it would cost to consolidate and run the center. Because of our experience, we were aware of many costs that hadn't been taken into account in the original analysis and showed that the consolidation would cost four times the original estimate and had an actual payback of over six years. The consolidation was scrapped.
>
> We weren't any smarter than the people who did the original analysis; we just had more experience."

This story is more convincing than a simple list of the many data center consolidations the firm has worked on.

Demonstrate the value of process benefits

Anecdotes are particularly powerful for demonstrating the value of process benefits, which are those benefits that derive from the way the professional does his or her work, as opposed to being an outcome of the work. They include developing consensus or commitment to action, building awareness of a problem, and the prioritization of efforts, among others.

Here is an anecdote told by a consultant specializing in performance improvement for financial institutions:

> "We often have to work in organizations where the interpersonal dynamics are a major issue in getting the work done. Helping people build working relationships is a part of our job.
>
> I recently called on a big property and casualty company we are working for that had this problem. The vice president who had engaged us said that he can only judge by what he sees. What he sees is people eating lunch together that never did before because they had always been adversaries. He commented that that will be a long-lasting benefit of our work."

Politely disagree with your client

Anecdotes can even be a polite way of telling a client that you think he or she is wrong. In this form, they can be used to help redefine an engagement scope. I once competed with a low-cost competitor for an engagement to find a new location for a plant that made machine tools.

The president of the company needed to lower his labor costs to meet foreign competition and felt that relocating was the way to do it. Rather than compete on price, I decided to suggest that he broaden the engagement to determine which of three possible approaches or combination of approaches—relocating, redesigning his product, or redesigning his manufacturing process—would allow him to reduce his price sufficiently to compete. I introduced this approach with the following story:

> "Are you sure that moving this plant will get your costs down far enough to underprice your competition? A couple of years ago, Plumbing Fixtures Corporation (name changed) built a $60 million plant in Louisiana to cut its costs so they could meet price competition from Brazilian competitors. They cut their costs and prices by 20 percent, and the Brazilians responded by cutting theirs by 30 percent. The price umbrella that Plumbing Fixtures had created was so large that the Brazilians could cut their prices that much and still make a profit. Plumbing Fixtures went out of business."

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This story changed the president's thinking about the fundamental nature of this problem and led to a sale.

More reasons for anecdotes

Anecdotes are also used as indirect probes when a direct question might prove offensive or risky. In addition, anecdotes can show that you have the characteristics of the kind of person prospective clients want to work with. Because *you* are what the client is buying, it is important for him or her to know that you are smart, insightful, trustworthy, experienced, practical, tactful, and many other things that you would have a difficult time claiming directly. When you're sitting face-to-face with a client, anecdotes are one of the few ways to demonstrate these qualities.

What makes a good anecdote?

You may be able to improve the stories you tell when selling by following a few simple guidelines:

1. *Make it relevant.* To tell a good anecdote, first make it relevant to the prospective client. Often this requires making a brief positioning statement before you tell it. Consider the following:

- "Developing a consensus is clearly half the battle in cases like this."
- "I can see that the deadline weighs heavily on you. Most work of this type is deadline sensitive."

Statements like these let the listeners know that the story you are about to tell will be linked to the specific concern they have raised.

2. *Select an anecdote to which the listener can relate.* Select anecdotes about an organization or person with whom the listener will feel some affinity. At its simplest level, this means that bankers like stories about banks and are unlikely to be impressed by a story about a professional's successful efforts to help a state government's employment agency solve a collections problem.

3. *Emphasize similarities.* Once you select an anecdote, describe the organizations and people in it in a way that emphasizes their similarity to the listeners and their organization. So, when telling a story to a banker in Chicago about a much smaller bank you work for in Cleveland, it becomes "another Midwestern bank." A bank of similar size to the listeners, but located in California, becomes "another middle-market bank." An insurance company becomes "another financial institution."

4. *Every good story has a plot, character, action, and an outcome.* The anecdote must have four basic components of a good story: plot, character, action, and outcome. Plot is built around the fundamental threat or opportunity that the character in the story faces. This might be dealing with a competitor who was rapidly taking market share, an opportunity to use a new building to improve communications, or any other issue that the client faces.

5. *Use only one plot per anecdote.* It is imperative that there be only one plot per anecdote, even if the engagement being described offers several, and even if each of them has a valuable message for the client. More than one plot will result in a long, rambling, and confusing story that will not help you. You can always tell a second anecdote later using the same engagement as a base to make a different point.

6. *Use a character with whom your prospect identifies.* You need a character in the story to give the prospective client someone to identify with. The character also makes the story more interesting in that people usually are more interesting than abstract concepts like corporations. Perhaps the single most common weakness of anecdotes is the absence of the character. Almost as bad, a professional makes himself or herself the hero in stories when a client could be the star. Remember, a story that is about someone with whom the client identifies will be much more interesting and memorable to him or her than will a story about you.

7. *Tailor your character to your listener.* Each time you tell an anecdote, consider reformulating it to make it more relevant to the current listener by changing the character. If I'm speaking to the CEO, I like to have a CEO or other line manager as the hero. If I'm speaking to the head of Human Resources, I like the human resources professional to be the hero. We work with many people in a client organization, which allows us some leeway in the choice of character for different versions of an anecdote.

8. *Describe actions.* Action increases interest by creating images that the listener can visualize. And the client is more likely to remember a story that he or she visualizes. Take, for example, the following story told by an architect responding to a client's question about his ability to bring a project in on budget:

> "When I had only been in this business a short time, I won a project to renovate a classroom building at a local university. Our design substantially exceeded the client's budget, but I thought it was so beautiful that I could talk them into spending the money. When I met with the facilities manager, he looked at my designs and immediately asked what it would cost. I told him, and he handed me back my

drawings and told me the engagement was over. I said I would redo the work to fit his budget, but he said no, he couldn't work with someone who didn't listen to him. I've never forgotten that lesson."

The visual image of the facilities manager handing back the drawings is far more compelling and memorable than abstract language about being let go.

9. *A good story has a clear outcome.* Too often, the teller leaves the outcome for the listener to infer—a dangerous mistake. The listener may draw the wrong conclusion or simply end up confused. So, for example, the preceding story ends with a crucial outcome, "I have never forgotten that lesson," without which the teller might simply sound as if he were complaining. The only time that an outcome is not needed is when you're using an anecdote to confirm your understanding of a client's situation. The outcome in such cases can be expressly stated as, "I understand what you have told me." These are words that are sometimes best left unstated.

10. *Practice your stories.* Stories that you plan and rehearse are often better than those told extemporaneously. Listen to a professional tell a particularly compelling story, and it is probably one that he or she has told many times before. Through practice, he or she has honed it down to just the essential elements needed to make his or her point. Our research shows that most good anecdotes can be told in six sentences or less.

Now it's your turn. Take one or two anecdotes you use frequently with clients. See if you can sharpen them up by limiting them to one plot, inserting a character with whom the client will identify, including a physical action which the listener can visualize, and making the outcome clear. Try to hold yourself to no more than six sentences per story.

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Alliances Help Small-to-Midsize Firms to Kickstart Growth

The Conference Board finds that partnerships between smaller and larger companies are often fraught with risk.

The following is based on a press release issued July 12, 2007 by the Conference Board concerning its Executive Action No. 237 report, "Brotherly Alliances, Engines of Growth." For a copy of the report, contact courter@conference-board.org.

One of the fastest, least capital-intensive ways for small-to-midsize companies to grow is to form alliances with a larger, more powerful partner or brand. But there is risk. Experts estimate a failure rate as high as 60 percent among new alliances. An Executive Action report from the Conference Board looks at how mid-market companies can go about finding a "big brother" they can trust.

Alliances: engines of growth

An alliance with a larger company is one of the only ways that some smaller and midsize companies have to accelerate growth without huge capital outlays. Normally, growth takes a very long time and requires patience. Brands are not created overnight. But with help from a powerful partner, a smaller company can raise its visibility, develop a new technology or product, gain access to broader marketing channels, tap into sources of new customers, or ride the coattails of a strong brand.

Making an alliance work takes tremendous effort and commitment. And the risks are not to be underestimated. What if the larger company is not so well-intentioned and walks away with the smaller company's secrets? Sometimes the larger company develops other priorities and allows the partnership to fall apart.

"Since the sharp fall-off in alliance creation after the dot-com bust in 2001, companies have learned much about how to design and manage these partnerships more effectively," says Howard Muson, author of the report. "Alliances are making a strong comeback, and companies have more realistic expectations about what they can achieve."

"The deals being done now tend to be better thought out—with the caveat that there are still tremendous challenges around governance," says David Ernst, leader of global alliances for McKinsey & Company in Washington D.C.

The Conference Board examined a few small and midsize companies that appear to have gotten over the hurdles to see how they benefit from alliances and collaborate with their partners.

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Choosing a big brother

Experts interviewed by the Conference Board suggest some criteria for selecting a potential partner:

- Before bringing in lawyers to draw up contracts, get the partnering teams together to talk about philosophy and goals. Says Robert Spekman, professor at the University of Virginia's Darden School, and author of *Alliance Competence:* "I don't care how good the deal is. If your partner doesn't share the same vision, the same set of morals and ethical standards, walk away."
- Look for clues that the larger partner takes you seriously and truly wants to help foster your growth as well as its own. You need assurances that your company will be listened to and have a voice in major decisions.
- Do your due diligence about the potential partner's behavior in past alliances: Has it kept its promises and maintained the trust of its partners?

Although many innovative smaller companies fear that a larger company may steal its proprietary technology or processes, a bigger risk is that they will take too long to do the deal or won't achieve their objectives because the more process-heavy partner can't move fast enough, says Ernst. He suggests a few ways to reduce the risk when small companies partner with big companies:

- Talk to at least three companies and create an "auction" for the product or technology that you want assistance in commercializing. Without a firm auction date, big companies may take their time coming to the table.
- Ask for estimates on how long it takes the company on average to make key decisions, such as hiring a new plant manager or launching a new product.
- Find out what marketing and research and development resources the company plans to assign to the alliance. Ask, for example, "Who are you going to assign to work on this project?" and write their names into the contract.

The smaller company should estimate how much of the CEO's time will be consumed by the alliance. Because the smaller company may be staking its future on it, the CEO often takes charge of the alliance. Lost time for small to midsize companies means fewer sales. Will the returns justify this diversion of the leader's attention? If so, the CEO should have a backup team in place to run the company while he or she is keeping the alliance on track.

Technology as a Retention Tool

The new generation of employees expect their employers to provide access to blogs, wikis, and social networking sites. If their employers don't provide this access, many employees will use their own equipment on the sly. Perhaps worse, they'll move on to another employer who will provide the access they seek.

This expectation and its consequences was a topic frequently raised at the recent Enterprise 2.0 Conference held in Boston from June 9–12, 2007. The conference sponsors define Enterprise 2.0 as "the term for the technologies and business practices that liberate the workforce from the constraints of legacy communication and productivity tools like email." Often, the term *Web 2.0* is used as a synonym for Enterprise 2.0.

According to the conference sponsors, tools such as blogs, social networking, and other Web 2.0 social applications have "already had a profound impact on society and media after less than a decade. In the next few years, we will see a corresponding echo in the business sector as these same technologies are adopted and adapted for business use." One of the conference tracks was "Social Tools for the Enterprise."

Sharon Gaudin of *Information Week* reported that one of the conference's keynote speakers, Marthin De Beer, a Senior Vice President with Cisco Systems said, "The upcoming generation is going to have a major impact on business. She will expect to have access to her tools in the workplace. It would be like someone from my generation not having access to e-mail and instant messaging. If they don't get this stuff, they probably won't be there for a long time."

Another keynote speaker, Dennis Moore, an SAP general manager, echoed De Beer's prediction. "People are bringing from home an expectation of how computing should be. Ten or 20 years ago, people did not bring computing expectations to the office. Now people have better computer technology at home. . . . People want to use their favorite technologies at work. They're satisfying themselves and not waiting for IT."

Security risks

Moore also cited statistics based on International Data Corporation (IDC) research: 45 percent of companies use blogs, 43 percent use Really Simple Syndication (RSS) feeds, and 35 percent use wikis. IDC Vice President Susan Feldman told *Information Week* that many IT managers and executives are

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PCPS

AICPA Private Companies Practice Section

Update

Timely practical and technical resources are among the new benefits for PCPS members this month.

Seasonality Success: The Latest Issue

The autumn edition of *Seasonality Success, Winning Strategies for Profitable Firms,* the PCPS e-newsletter that focuses on busy season solutions, has been released. This edition contains stories on:

- How to talk to clients about standards-driven fee increases.
- A profitable strategy for increasing services to existing clients,
- Tips for putting to work the ideas you generate at firm retreats.
- A successful approach to updating staff on new standards.

This issue's "Cool Tools" discusses workflow management opportunities. For more information, go to the PCPS Firm Center: **http://www.aicpa.org/pcps**.

New TIC Alert Available

Don't miss the latest issue of the Technical Issues Committee (TIC) *Alert.* The *TIC Alert*, which is produced by the PCPS Technical Issues Committee, describes important developments in standard-setting as they relate to private company clients.

Among the topics covered in the current issue are TIC's questions on the Financial Accounting Standards Board's financial statement presentation project and an update on TIC's recent liaison meeting with Private Company Financial Reporting Committee Chair Judith O'Dell.

TIC Alerts can be found on the PCPS Firm Practice Center at **http://pcps.aicpa.org/Resources/Technical+Issues+Committee+and+Communications/TIC+Alerts/**.

PCPS Risk-Based Auditing Toolkit

The AICPA risk assessment standards, Statements on Auditing Standards Nos. 104 through 111, are effective for audits of financial statements for periods beginning on or after December 15, 2006. To help practitioners implement the risk assessment standards, PCPS has created the PCPS Risk-Based Auditing Toolkit, a collection of practical resources. It can be found at **http://pcps.aicpa.org/Resources/Keeping+Up+With+Standards/Risk+Assessment+Standards+Implementation+Guidance.htm**.

Mortgage Comfort Letters: Resources Available

It's not unusual for CPAs to face the unique challenge of providing a loan broker or lender with a mortgage "comfort" letter on behalf of a client. To answer the many questions that practitioners and others have raised, the PCPS Firm Practice Center now offers advice and a sample letter from the AICPA Professional Liability Insurance Program. Find them at **http://pcps.aicpa.org/Resources/CPA+Comfort+Letter+to+Lenders/What+to+do+about+Mortgage+Comfort+Letters.htm**.

PCPS Practice Management Forums

The free online PCPS Practice Management Forums focus on important practice management and technical issues of interest to small practitioners. Each live, interactive PowerPoint-based presentation is given by an expert in the field. The Forums take place from 2 to 3:30 ET. Upcoming sessions include:

- "Succession Assessment: Is Your Firm Being Realistic?", offered by Robert J. Gallagher on November 20.
- "Build and Run a Successful Financial Planning Practice: Best Practices and Slips to Avoid," given by Walter M. Primoff on December 18.
- "The Small Firm Advantage," given by Jim Metzler on January 22.

Members will receive e-mail announcements on how to register for each Forum, so be sure to watch for them.

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unaware of these facts and may also be unaware that these technologies are being used inside their firewalls. De Beer advises, "We'll have to deal with the reality of people . . . using tools that aren't in the firewalls."

Gartner, the information technology consulting firm, advises IT managers to set policies and educate users of blogs and other technologies. The policies should define what employees can and cannot discuss. Furthermore, company intellectual property and operational information should be restricted from blogs.

Companies also need to consider the risks associated with other technologies such as MP3 players, cell phones, and other mobile devices. Gartner says these devices can run increasingly robust applications and are targets for malicious code.

31 Places to Monitor Your Reputation Online

The emergence of Web 2.0 and its associated social media has resulted in a lot of new places that marketers and business people can access to monitor their reputation. From search engines to forums to social news sites, knowing who's talking online about your firm, its employees, and your services, is even more important. Social media, whether we like it or not, is here. It's where word-of-mouth marketing is starting, and it affects search engine results. To find the tools that direct you to search engines, directories, social news sites, bookmarking sites, social networking, photo sharing sites, blogospheres, forums, message boards, and wikis, go to **http://www.searchmarketinggurus.com/search_marketing_gurus/2007/02/with_the_explos.html**.

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